

## MEMORANDUM

July 20, 2015

TO: Interested Readers

FROM: Isiah Leggett, County Executive

SUBJECT: FY16 Operating and Capital Budgets  
Amendments to the FY15-20 Capital Improvements Program (CIP)

These volumes contain the Approved FY16 Operating and Capital Budgets and Amendments to the FY15-20 Capital Improvements Program (CIP) for Montgomery County. In accordance with the law and after receiving my recommendations and the advice of interested parties through public hearings and other means, the County Council approved the budgets on May 21, 2015, for the fiscal year that begins on July 1.

Soon after the Council approved the FY16 budget, it became clear that income tax shortfalls due to economic conditions and the recent Supreme Court decision in the *Wynne v. Comptroller of the State of Maryland* case would negatively affect our revenues in FY16, FY17 and FY18. Income tax collections for FY15 were \$21.4 million short of the estimate in this approved FY16 budget. And, the most recent information indicates that the *Wynne* case decision will further reduce income tax revenue by approximately \$15.1 million in FY16 and \$76.7 million in FY17 and FY18. The cumulative revenue loss by FY17 is currently projected to exceed \$150 million.

Due to the significant, multi-year nature of the shortfalls, I have sent a proposed \$51 million FY16 savings plan, with reductions in both the operating and capital budgets, to the County Council for consideration. The Council has agreed to act on these reductions before their August recess.

The total Council approved FY16 Operating Budget from all sources of funds is \$5.083 billion, an increase of \$87.0 million or 1.7 percent from the Approved FY15 Budget. Because Capital Budget appropriations can be made for multiple fiscal years, comparisons of the Capital Budget from one fiscal year to the next do not provide useful information.

As detailed in the budget highlights and in the appropriate departmental sections, these budgets continue to support what I believe are our most important shared priorities:

- A Responsive and Accountable County Government
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- Healthy and Sustainable Communities
- Safe Streets and Secure Neighborhoods
- A Strong and Vibrant Economy
- Vital Living for All of Our Residents

This budget includes a 0.9 cent property tax rate decrease and a property tax credit of \$692 per owner-occupied residential household, which maintains a progressive property tax structure. This budget funds the collective bargaining agreements negotiated with the County's three unions, and continues the strategic restoration of some of our most important services that were dramatically reduced as the County faced serious budget challenges. CIP PAYGO, mandatory contributions to the Revenue Stabilization Fund, and the annual required contribution for retiree health insurance are fully funded.

In order to reduce costs and minimize our use of paper, we have provided an abbreviated version of the Operating Budget for each County Government Department. You may view a more detailed description of each department's budget by visiting the Office of Management and Budget webpage at [www.montgomerycountymd.gov/omb](http://www.montgomerycountymd.gov/omb).

You are invited to read the contents of these volumes for a description of the Approved Operating and Capital Budgets and CIP. Please call the Office of Management and Budget at (240) 777-2800 for further information. This information is also available on the Internet on the Montgomery County home page at [www.montgomerycountymd.gov/omb](http://www.montgomerycountymd.gov/omb).